



Assessment of Value Report 2020

Waystone Management (UK) Limited
WS CHARTERIS UK UCITS ICVC*



Why we have produced this report?

As part of a move to strengthen fund governance, the regulator, the Financial Conduct Authority (“FCA”), has required asset managers to conduct an annual review of UK-domiciled funds to assess whether they provide good value to their underlying investors. This is now the second year of reporting for the WS Charteris Funds.

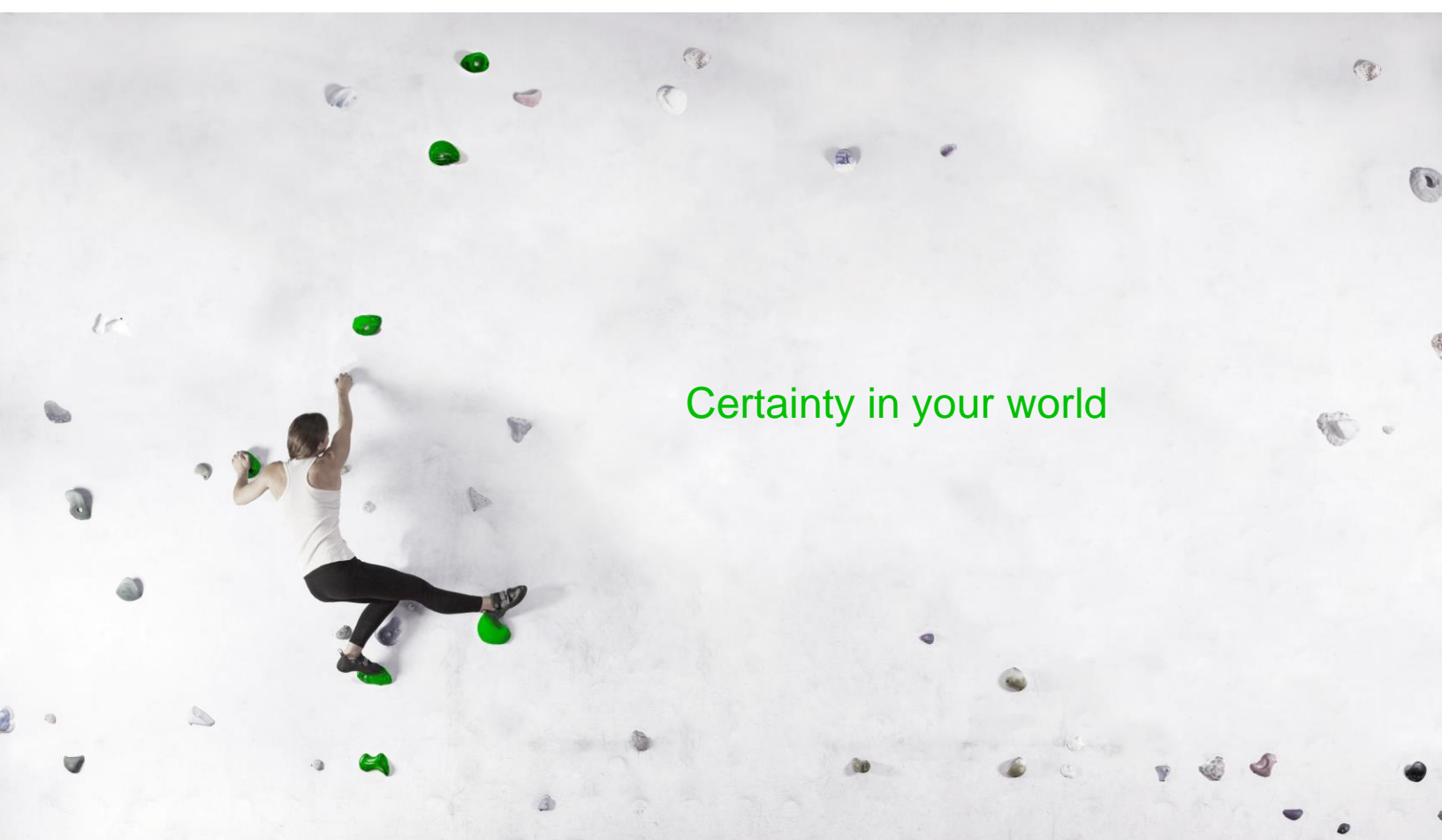
This Assessment of Value report is aimed at individuals who invest within the funds, or their financial advisers. It outlines each fund’s assessment and concludes on whether the Board believe that the fund has demonstrated good value. Where relevant, we also outline what measures we, as the Authorised Corporate Director (“ACD”), are putting in place where the ACD Board believe the value provided does not meet our own high standards.

We believe the assessment of value exercise should make it easier for investors to evaluate whether their investment manager is providing them with value, so they can make more informed decisions when choosing investment providers.

What is the assessment of value?

Our intention is that this report is a transparent and accessible view to the assessment of performance, cost and service as at 31st December 2020. The ACD, through its Board of Directors, has a responsibility to ensure that your funds are managed appropriately and that these deliver value to you as a fund investor.

The assessment of whether each of our funds is providing value to investors has been evaluated using the seven criteria introduced by the FCA. The way in which the Board has assessed these criteria is explained below.

A photograph of a person climbing a rock wall. The person is seen from behind, wearing a white tank top and black leggings. They are reaching up to a green handhold. The wall is white with various colored handholds (green, blue, pink, grey). The text 'Certainty in your world' is overlaid in green on the right side of the image.

Certainty in your world

The 7 criteria and how we have assessed them

We have chosen to group the criteria into three categories: Performance, Quality of Service and Costs (and charges).

1. Performance

We have assessed the investment performance of the Fund against both its stated investment objective, as well as against any target or comparator benchmarks that are set out in its prospectus. We considered whether the Fund has performed as expected, given the market conditions and its investment philosophy, strategy and implementation. We have deemed it most appropriate to use a full five-year period for the assessment as we feel this is representative of a typical investment cycle and aligned to the time period employed by the Key Investor Information Document (KIID). Any fund launched more recently without a five-year track record, will be assessed on a “from inception” to present basis.

2. Quality of service

We have taken a holistic view when approaching this category by assessing the following:

- **Fund services:** These are operational activities that are core to the smooth running of our funds and include, for example, determining the daily price of the share classes of a fund and ensuring that investors receive their interest and dividend payments in a timely manner.
- **Engagement and Communications:** Here we have considered the quality of our investor servicing including, for example, how we address investor queries and resolve complaints, as well as the quality, breadth and accuracy of the information we provide.
- **Governance:** It is important to ensure that funds are managed and operated in the best interests of investors. We have therefore considered whether an appropriate and effective control environment and robust risk framework are in place.

3. Costs (and charges)

The remaining criteria can be considered under the cost (and charges) umbrella and split out as follows:

3.1. AFM cost

We have assessed the costs incurred by us, as ACD, for providing the services to the funds, relative to the fees charged to you for those services. To perform this exercise each fund’s OCF (Ongoing Charges Figure – the total cost associated with running a fund) has been broken down into the Annual Management Charge (AMC), audit and tax fees, service fees (depository, custody and other administration fees) and any underlying fund costs. This break down of these costs has been analysed. Where the Board felt any of the figures look disproportionate, there was further validation internally or by reviewing with the Sponsor.

3.2. Classes of shares

The UK investment industry had a legacy of share classes with higher fees, largely relating to share classes that existed before the changes instigated by the Retail Distribution Review. Where a range of different share classes may be offered to investors, our assessment of this criteria has considered whether share classes within each fund are properly priced and whether investors are invested in the most appropriate share class that is available to them.

We have also considered how we ensure ongoing suitability of pricing and will continue to monitor whether investors remain in the most appropriate share class. Finally, a review and discussion were held on the merits of continuing to offer each share class.

3.3. Comparable market rates

This relates to the charges in relation to funds managed by other firms. We assessed whether the charges investors pay are in line or favourable when compared to similar funds available in the market. In all instances, we measured our costs against costs charged by the fund's Investment Association sector peer group median. These categories are independently classified based on fund strategies and objectives.

3.4. Economies of scale

We have considered two aspects when looking at this criterion.

- Firstly, as a fund grows, are we able to pass on economies of scale to our investors? We should be able to do this as fixed costs will fall in relative terms as the overall fund size increases.
- Secondly, we can leverage better relationships and processes to bring efficiency and lower charges to the funds.

3.5. Comparable services

This criterion looks internally, where we consider charges for each fund against comparable services provided elsewhere across the range of products that we offer and how reasonable these are where offered to different client types, e.g., institutional mandates. These should be comparable in terms of strategy, investment remit and investor outcome.

Summary Results

	Quality of service	Performance	Costs	Overall Assessment of Value
WS Charteris Global Macro Fund	Green	Green	Red	Green
WS Charteris Gold and Precious Metals Fund	Green	Green	Amber	Green
WS Charteris Premium Income Fund	Green	Green	Red	Green
WS Charteris Strategic Bond Fund	Green	Red	Red	Red

Key

- Green = delivering overall value
- Amber = delivering fair value
- Red = not delivering value consistently

Detailed Results

Performance

Although the costs are higher than median for the WS Charteris Global Macro Fund, our overall assessment is that it offers good value for investors given the total return levels achieved by the fund over 5 years.

The other funds have been assessed on a “since inception” basis. For the WS Charteris Gold and Precious Metals Fund and WS Charteris Premium Income Fund our overall assessment is that they offer good value for investors given the total return levels achieved (and the Income fund has provided positive income). The WS Charteris Strategic Bond Fund has, so far, not met its objective. However, the Investment Manager is confident the fund is well positioned to combat the low yield and higher inflationary environment going forward.

Fund	Fund annualised total return 5 year/since inception	Objective
WS Charteris Global Macro Fund	12.77%	Capital growth - no benchmark
WS Charteris Gold and Precious Metals Fund	10.77%*	Capital growth - no benchmark
WS Charteris Premium Income Fund	4.44%*	Combination of income and capital growth - no benchmark
WS Charteris Strategic Bond Fund	-2.43%*	An income yield and to attempt to preserve capital - no benchmark

Source: Morningstar as at end of December 2020

* WS Charteris Gold and Precious Metals Fund launched 31/03/17

* WS Charteris Premium Income Fund launched 01/03/18

* WS Charteris Strategic Bond Fund launched 20/09/17

Quality of service

The Board have concluded that, taking all criteria into account, the level of service achieved meets investors' expectations based on the criteria set out above.

Costs (and charges)

AFM Costs: Having split out the costs of running the fund as described in section 3.1 above, the Board have reviewed them, and they are reasonable and appropriately managed given the size of the funds. Below is a summary of the progress made in reducing the OCF over the last year.

Share class	Reduction in OCF (basis points) 31/12/2019 - 31/12/2020
Charteris Global Macro Fund A Acc	-69
Charteris Gold & Precious Metals I Acc	-48
Charteris Premium Income I Acc	-26
Charteris Strategic Bond I Inc	-71

A basis point is one hundredth of a percent or 0.01%

Classes of Shares: We have identified some share classes where action is required. For the WS Charteris Premium Income Fund and WS Charteris Gold and Precious Metal Fund all the A and B share classes have been reviewed and identified as legacy advisor facilitated classes.

Comparable Market Rates: The size of all funds is materially below the peer group median and AUM growth will be key to bring down these costs over the coming period.

Share class	OCF date	Share class OCF	IA sector median
WS Charteris Global Macro Fund A Acc	31/08/2020	1.92	1
WS Charteris Gold & Precious Material I Acc	31/08/2020	1.34	1.16
WS Charteris Premium Income I Acc	31/08/2020	1.56	0.93
WS Charteris Strategic Bond I Inc	31/08/2020	1.87	0.77

Note: The fund OCF is the latest published OCF available as at the 31st of December 2020.

Economies of Scale: The Board have concluded that any cost savings which have been obtained from economies of scale have been passed on to investors. 2020 saw a full year's savings benefit of the move of Depositary and Administrator that took place during 2019 (the move was made possible due to the leveraging of relationships from the wider Waystone group post ACD acquisition).

Comparable Services: As we do not offer any similar investment products or services within the ACD, the Board is not able to assess this criterion.

Update on actions from 2019 Assessment of Value

The Charteris Strategic Bond Fund still continues to experience low AUM growth which continues to have a material impact on the OCF of the fund. Following a meeting with the sponsor, specific opportunities have been identified (engagement with IFAs) to grow AUM.

Actions to carry forward from the 2020 Assessment of Value

The ACD will revisit progress with regards AUM of the Charteris Strategic Bond Fund with the Sponsor in 6 months' time to assess continued viability of the fund. If there is no growth in six months' time further measures will need to be looked at.

For the WS Charteris Premium Income Fund and WS Charteris Gold and Precious Metal Fund, in the investors best interests we will be writing to them and advising them of a transfer to a more appropriate share class where applicable.

*It should be noted that the ACD has changed name since the end of 2020. As at 31st December 2020 the ACD was named DMS Investment Management Services (UK) Limited and as from 22 March 2021 changed its name to Waystone Management (UK) Limited. The prefix of the fund names were previously 'DMS' (as seen in last year's report) subsequently these have been replaced with 'WS' in line with the ACD name change.

Disclaimer

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Source for charges data: Waystone Management (UK) Limited. All data is correct as at 31 December 2020 unless otherwise stated.